Testimony on

Giving Permanent Normal Trade Relations Status to China: National Security Implications

presented before

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I. Introduction

Allow me to begin by thanking you, Mr. Chairman, and the members of this distinguished Committee, for the opportunity to speak on the critical question of our future security relationship with China.

In the context of the forthcoming Senate vote on permanent normal trade relations (PNTR) status for China, I have been asked to provide my assessment of our security relationship with that country. As an analyst for more than 15 years of U.S.-China security relations, especially with regard to questions of nonproliferation and arms control, I will focus my remarks mostly in this specific area of concern.

My formal remarks consist of three parts. First, I will discuss the future evolution of our security relations with China, arguing that we have entered a fundamentally more complex era of both opportunities and challenges. Second, I will consider what general U.S. policies toward Beijing have proven successful in the past, and how they might be modified, strengthened and refined for our future security-related dealings with China. Third, I will propose several policy recommendations for our future security relationship with China.

II. Future U.S.-China Relations: Complex Problems Call for Complex Tools

Mr. Chairman and members of the Committee, we should welcome this chance to critically review our security relationship with China. To start with a very practical concern, our country has devoted too few resources toward understanding and appropriately responding to the many challenges and opportunities which China places before us. Unfortunately, in the absence of more reasoned and informed debate, China policy is too quickly politicized, resulting in either breezy optimism on the one hand, or over-the-top alarmism on the other. Neither serves U.S. national security interests.

This cannot continue if we are to uphold U.S. national interests while maintaining a generally stable relationship with China. We are at the threshold of a fundamentally different era with China where our future security relationship will be *far more complex and potentially difficult than ever before,* presenting at once both new challenges but also unprecedented opportunities to shape China's internal and external policies in ways favorable to U.S. interests.

This point can be quickly illustrated through a few powerful examples. Assuming that PNTR status will be approved, and that China will enter the World Trade Organization (WTO) in the near future, China will be compelled more than ever to open its doors to the outside world, and with it the flow of global norms, best practices, corporate governance and accountability, rules-based behavior, regulatory frameworks, and enforceable requirements to live up to international standards. China will have a growing stake in the status quo which supports the free and stable flow of goods and services, disinclined to disrupt the regional and international environment from which it benefits considerably. However, these developments also mean that China is likely to become more technologically sophisticated and more capable economically, meaning it is better equipped than in the past to pursue its own national security agenda. Alternatively, we should not dismiss

another – though in my view, less likely – scenario: a China that mismanages the transition to greater openness and becomes less stable internally would also pose a more complex security problem for the United States.

Moving on to consider socio-political developments in China, we should expect that as a result of its opening to the outside world, there will be a growing cadre of better educated, more Westernized, less polemical, non-ideological, and pragmatic elites coming to the fore in China. We should welcome this development, especially as it may lead to a more pluralistic society, pragmatic, cooperative foreign policies, and further enfeeble one-party rule in China. But future generations of Chinese leadership will be increasingly confident, seeking to translate China's growing power into realization of Chinese national interests which may run contrary to ours. This is likely to be true whether we are talking about a "democratic" China or otherwise, as the foreign policies of other Great Power democracies such as Russia, India, or even France often illustrate.

In the area of arms control and nonproliferation, over the past decade China went from an outside opponent of arms control and nonproliferation, to becoming a member of all major international arms control and nonproliferation treaties. At the bilateral level, the United States and China have reached important agreements which overall have significantly curtailed Chinese proliferation activities. Also, China has taken a number of unprecedented unilateral actions, putting in place a nascent, but steadily growing logistical and policy infrastructure on arms control and export controls in order to better implement and monitor its commitments.

On the other hand, there will be still some very difficult discussions ahead. Generally speaking, China has made the "easy choices", choosing to go along with arms control and nonproliferation commitments which were either low-cost, for which the incentives were worth the concession, or which they deemed to be clearly in their national interests. In the future, tougher questions of Chinese national interests will likely limit further cooperation. For example, having sensed its strategic vulnerability, especially with regard to its current ICBM force, China's ongoing nuclear weapons modernization will proceed over the next 10 to 15 years to present us with a far more qualitatively and quantitatively capable Chinese force. China will deploy an all-mobile, solid-fuel missile force, build a larger number of strategic missiles, possibly with multiple warheads. China will also likely continue to stonewall progress in Geneva, insisting that the Conference on Disarmament take up discussions to ban outer space weapons (code for constraining our national missile defense plans).

On our bilateral nonproliferation agenda, we are also entering a new era. While the past 10 to 15 has seen encouraging progress, we are now down to the "hard cases". These will be more difficult to resolve for several reasons. First, rather than being simple questions of undesirable transfers which China could halt at relatively low cost, Beijing will link future cases more than ever to their larger national security concerns. China will only with great reluctance fully close its sensitive military-technical relationship with Pakistan – a quasi-ally for Beijing – owing to China's strategic concerns with India. In addition, China will more openly link its arms control and nonproliferation cooperation to U.S. arms sales to Taiwan, a matter of enormous strategic interest to China. It is also clear that China will link its arms control and nonproliferation policies to our national missile defense decisions.

In addition, the nature of Chinese proliferation activity is changing from the transfer of complete platforms and systems – such as missiles – to the transfer of technologies, subsystems, technical assistance, and production support – all far more difficult to monitor and verify.

In sum, Mr. Chairman, we will enter a fundamentally different era requiring greater resources, deft diplomacy, and seriousness of purpose to achieve our national security interests while maintaining a stable relationship with China. It will be a period characterized by complexity and contradiction. Under these conditions, simplistic, black-and-white understandings of U.S.-China relations – whether seeing China as a "strategic partner" or a "peer competitor" – may be politically elegant, but are strategically foolhardy. At best, such naivete holds out the false hope for easy answers when there are none. At worst, such simplistic nescience leads us down potentially dangerous paths for U.S. interests. In this new environment, we need to expand and refine our policy options, not boil them down to pat answers. A more diverse, flexible and sharpened set of tools is needed.

III. U.S. Security Policy Toward China: What Works, What Does Not

Given these uncertainties, challenges and opportunities, what tools should we employ to handle a far more complex security relationship with China, and seek to stabilize, moderate and even reverse Chinese activities of concern? To start, we should consider what has worked, and what has not.

Simplistic, single-factor analysis on this question gets us nowhere. Successful U.S. policies to moderate Chinese activities of security concern, and in particular proliferation, have resulted from a combination of four principal factors. It is well-nigh impossible to orchestrate all four to act in perfect unison. But the more these factors can work in concert, the better the results. These factors are:

First: ***Increasing Chinese integration in the international community overall, including specific participation in multilateral, internationally-agreed-upon arms control and nonproliferation commitments.***

This general point seems obvious, but it is too often lost nevertheless. The steady opening of China to the outside world over the past 25 years has had an undeniably positive effect on moderating China's formerly contrarian and provocative approach to its foreign policy generally, and to its proliferation and arms control policies in particular. Has this process come as far as I would like to see? No. But the trend is absolutely clear to anyone who takes a good look.

Further opening of China and its continued integration as a stakeholder in the international order – such as through PNTR and WTO membership – will undoubtedly have positive results for U.S. interests. That does not mean we will not have difficulties with China. We certainly will. But specific policies to moderate Chinese security-related actions will be far more successful when embedded in an overall approach which draws China in rather than shuts China out. This is the number one weapon we have to moderate Chinese security policy, and we should exploit it at every turn.

Second: ***Assuring we have multilateral support, especially among our friends and allies, to curb Chinese activities of concern.***

Such as an approach will have a far greater impact than unilateral actions on our part which may end up isolating us, rather than isolating China. China's leadership covets international legitimacy, and probably recognizes they have little to offer in the international marketplace of ideas, except to convey an image of good international citizenship. By doing the hard work to assure we have support in our China policy from our friends, allies, and other international actors, we not only multiply our effect on image-conscious leaders in Beijing, but can avoid taking actions which damage relations with our most important international supporters.

Third: ***Extending appropriate, tangible bilateral incentives to China in return for moderating its activities of security-related concern.***

The United States remains by far the most important bilateral relationship China has. China's principal national security goals – socioeconomic modernization, international legitimacy, growing Great Power status, and national reunification – cannot be fully realized in the face of an unstable or hostile relationship with the United States. Indeed, either in order to avoid a significant downturn in U.S.-China relations, or with the prospects of improved relations in mind – such as through successful summits – China has taken a number of steps to improve its proliferation record: establishing a national export control system for nuclear- and chemical-related exports; cutting off cruise missile transfers and new nuclear cooperation with Iran; joining the Zangger Committee; agreeing to adhere to the original guidelines of the Missile Technology Control Regime; cutting off its ballistic missile sales to Syria. We should take greater advantage of China's desire to have a stable relationship with the United States by making very clear that the relationship will suffer should China take certain actions, and by holding out the real possibility of stability and mutual benefit when Chinese security-related policies do not challenge fundamental U.S. interests.

Fourth: ***Exercising a credible, well-crafted, and bipartisan sanctions policy.***

Under certain conditions, U.S. sanction policies have worked in moderating or reversing Chinese proliferation activities. First and foremost, the sanctions must be credible. Chinese decisionmakers must believe that we will actually implement them. When the sanctions under consideration are too sweeping, create divisiveness in Congress, or have the potential to significantly damage U.S. interests (such as business and trade concerns or alliance relationships), China will not find the threat of sanctions credible. For example, the annual threat to withdraw most-favored nation status from China was rarely taken seriously in Beijing. On the other hand, sanctions imposed on China in 1991 and 1993 for its missile sales, and the threat of sanctions in 1996 related to Chinese ring magnet transfers to Pakistan, were effective in moderating Chinese activities (adhering to MTCR, joining the Zangger Committee, establishing a regulatory framework to monitor nuclear-related exports) because the sanctions enjoyed broad support at both ends of Pennsylvania Avenue.

Furthermore, the record indicates that for sanctions to work, they should be well-crafted: based on solid evidence, targeted as much as possible against the offending entities, and not on mandatory hair-triggers. Not only does this assuage some U.S. domestic concerns by eschewing sweeping burdens on American business and trade interests, but sends the right message to China to express well-founded American concerns, while not undermining prospects for other promising channels to shape Chinese security policies. The case of Senator Brownback's Amendment last year to suspend certain sanctions against India and Pakistan – and avoid mandatory sanctions inconsistent with U.S. interests – is instructive here.

At the end of the day, realism, prudence, and Constitutional sense tell us that sanctions imposed against another state, and particularly a state with the geopolitical importance of China, should ultimately be political decisions reached under the authority of the President to conduct foreign affairs.

Realistically speaking, it is nearly impossible to orchestrate all of these factors flawlessly at once, but the more it can be done, the better. It is equally true that policies and legislation which *weaken* any off these factors – by running contrary to multilateral agreements, unduly threatening the interests of allies and friends, offering few or no incentives, and wielding improbable, divisive, and inflexibly punitive sanctions – will dramatically diminish the possibilities of Chinese compliance. Moreover, because we are now down to some of the "hard cases" with China, it becomes all the more important that we work to coordinate, harmonize, and sharpen these four critical factors in order to achieve maximum effect.

IV. Future Security Policies Toward China

How to translate these factors for success into effective security policy and legislation vis-à-vis China? I will briefly outline a few thoughts which address some immediate concerns.

Limited engagement: Overall, Mr. Chairman, we should expect our security-related relationship with China to enter a more complex and difficult period. Nevertheless, a continuing engagement approach, leavened with greater pragmatism, a humble understanding of the complexities involved, and a well-informed sense of what can and cannot be achieved with China still holds out the best prospects for shaping favorable directions in Chinese domestic, foreign, and security policies. We have significant capacities to foster positive change in China, and we should continue to do so through the engagement approach, such as approving PNTR. On the other hand, we should not oversell the prospects for change, and we need to be more cognizant of problems which lie ahead. Working closely with friends and allies, we can elicit the best results from opportunities in China, while realistically hedging against potential problems.

Increased intelligence and analytical resources: New and complex challenges and opportunities demand greater resources devoted to intelligence and analysis on China. For example, the more complex nature of Chinese arms control and nonproliferation policies – more closely linked to Chinese national security concerns, and involving more in the way of "software", rather than hardware transfers – constrains our ability to understand and respond effectively to these "hard cases." As such, our intelligence, research and analysis

resources should be considerably increased to better assess and monitor China's proliferation activity, as well as Chinese security-related decisions, commitments, and actions more generally. It is difficult for me to understand why we continue to allocate a comparatively small amount of resources toward understanding China, considering the enormously important challenges and opportunities that country poses before us.

China's strategic modernization and U.S. missile defense: In coming years, we face an unprecedented strategic situation with China: a far more capable nuclear weapons power with a more credible, increasingly ready, and highly survivable strategic deterrent. As we move forward with our national missile defense (NMD) plans, we need to more fully integrate this new reality into our thinking. The current debate on these questions – *either* a form of NMD *or* stable relations with China – strikes me as wrongheaded. Rather, our aim should be to achieve both.

Responding to Chinese proliferation: Looking at the current "hard cases" of Chinese proliferation concern, we need to do more to assure that the four key factors noted above are working in concert. Looking at specifically at sanctions legislation, it is unwise to craft mandatory sanctions, and any sanctions should avoid as much as possible undermining the other three important factors for success: drawing China in, support from friends and allies, and incentives.

As an alternative, I would suggest the establishment of a commission to annually review China's proliferation record – perhaps akin to the commission Senator Byrd has suggested recently – which would assess progress in China's proliferation record, and make recommendations to the President. The report would provide greater detail and analysis than currently available in either the CIA's semi-annual publication on proliferation or the State Department's annual report on arms control and nonproliferation compliance. The system could be structured such that the President would need to respond to the recommendations, either by seeking to put them in place, or explaining in detail his or her policy choices contrary to the recommendations of the commission.

Because of its immediate interest to the Committee, I will close with a few words on China's proliferation activity with Pakistan. The President has at his disposal a range of sanctions options, and he should exercise his discretion to impose them in one form or another if the allegations recently reported in the *New York Times* are accurate. To avoid such sanctions, China should take public steps to put in place a regulatory and export control framework related to missile technologies, and fully clarify the extent of its missile-related nonproliferation commitments. We should not expend further political capital with China to have it join the Missile Technology Control Regime at this time.

Thank you very much Mr. Chairman and members of the Committee.